

U Ethical Australian Equities Trust – Retail

Quarterly Performance Review | June 2026

A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth

Fund information

Portfolio Managers	Cam Hardie & Jon Fernie
Chief Investment Officer	Jon Fernie
Inception date	7 July 2003
Fund size	\$67.69m
Benchmark	S&P/ASX 300 Accumulation Index
Buy/sell spread	0.25% / 0.25%*
Management costs	Estimated up to 1.315% p.a.**
Holdings range	20-40
Number of holdings	32
APIR code	UGF0001AU
Risk level	High
Suggested minimum investment horizon	7 to 10 years
Distribution frequency	Half yearly (June & December)

*The buy/sell spread is set at 0.25 per cent per unit and is rounded to the nearest cent.

**Please read the Product Disclosure Statement.

Investment objective

The U Ethical Australian Equities Trust – Retail has been developed for the long-term investor and aims to outperform the benchmark after fees over rolling 5-year periods.

It invests primarily in Australian shares and listed property trusts, as well as up to 10 per cent in cash.

Performance summary

	3 months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception p.a.
Fund	2.88%	-3.09%	8.11%	5.85%	8.57%	8.04%
Benchmark	4.14%	6.16%	10.56%	7.58%	9.41%	9.12%
Relative	-1.26%	-9.25%	-2.45%	-1.73%	-0.84%	-1.08%

As at 30/06/2026. Benchmark: S&P/ASX 300 Accumulation Index. Inception date: 07/07/2003. Performance based on exit price with distributions reinvested and is net of fees. From 1 October 2015, the Trust moved to a 100% Australian equities fund from previously having an 80% Australian equities and 20% cash allocation. Australian dollars. **Past performance is not indicative of future performance.**

Market commentary

The MSCI World ex Australia Index returned 12.6% for the quarter ending 30 June 2026, rebounding from a 6.2% decline in the prior quarter. The recovery reflected improved risk appetite, supported by easing energy market pressure, continued strength in AI-related investment themes, and renewed investor confidence in structural growth sectors. The ASX 300 Accumulation Index rose by 4.0% over the period.

The quarter began with heightened geopolitical risk in the Middle East. The closure of the Strait of Hormuz pushed Brent crude above US\$120 per barrel in April, raising concerns that higher energy prices could add to inflationary pressure and weigh on consumer spending and corporate margins. However, as the quarter progressed, tentative de-escalation in the region and optimism around a possible US-Iran agreement contributed to a reversal in oil prices. Brent crude declined nearly 20% through May and June, helping reduce near-term concerns around a broader energy-driven inflation shock.

AI-related investment remained a major driver of equity market performance. US hyperscalers raised 2026 capital expenditure guidance for AI and data centre infrastructure to more than US\$700 billion, reinforcing expectations that investment in AI computing capacity, cloud infrastructure and related supply chains will remain significant. This was supportive for semiconductor, memory, foundry, networking, power equipment and data centre-exposed companies. Regional performance was particularly strong in Asia, with South Korea rising 68% and Taiwan rising 42%, reflecting their importance in the AI hardware and semiconductor supply chain.

Investor appetite for long-duration growth was also evident in the historic SpaceX IPO, which was associated with a valuation of around US\$2 trillion. While SpaceX is not directly representative of listed global equity indices, the transaction was notable as a broader signal of market willingness to fund large-scale innovation themes, even against a more challenging interest rate backdrop.

Inflation and monetary policy remained important constraints. Core US inflation (excluding food and energy) climbed to 2.9% in May, while trimmed mean inflation in Australia rose to 3.6% for the same period. In response, the Federal Reserve and Bank of England kept interest rates higher for longer, while the European Central Bank (ECB) has maintained a more hawkish posture than previously expected. The Reserve Bank of Australia (RBA) raised the cash rate by 0.25% during the quarter. In the US, under new Fed Chair Kevin Warsh, investors also began to reassess the policy framework, with less emphasis on explicit forward guidance, a continued focus on the 2% inflation objective, and limited scope for near-term easing.

Overall, the quarter was characterised by a recovery in global equities despite a still restrictive monetary policy backdrop. AI-related capital spending and improving geopolitical conditions supported market gains, while persistent inflation and central bank caution limited the case for broad-based valuation expansion.

Quarterly stock attribution

Top 3 contributors	Total return %	Attribution %
Sandfire Resources Ltd	19.70	0.70
Goodman Group	22.50	0.60
Macquarie Group Ltd	26.10	0.50

Bottom 3 contributors	Total return %	Attribution %
BHP Group*	17.90	-1.80
Cochlear [#]	-28.00	-0.70
Aristocrat Leisure Ltd*	36.50	-0.40

Source: Bloomberg. Attribution shown is for the quarter ended 30/06/2026. Attribution based on a representative Australian Equities portfolio (Wholesale). Relative to the S&P/ASX Accumulation Index. *Not held in portfolio. [#]Position exited during quarter.



Portfolio commentary

The Trust delivered a total return of 2.9% in the June quarter, underperforming the benchmark by 1.3%. Of this underperformance, 0.57% was attributable to ethical exclusions, with BHP and Aristocrat Leisure outperforming the broader market by 13.7% and 32.4% respectively. The Health Care sector continued its underperformance for the year with Cochlear down 28% in the quarter. This was partially offset by positive contributions from the REITs, Financials and Consumer Staples sectors.

The Energy sector was a tailwind for the Trust performance as it declined 16.7% in the quarter, with the crude oil price giving back almost all its gains from the commencement of the Middle East conflict the prior quarter.

Over the last 12 months, the Trust provided a total return of -3.1%, trailing the benchmark by 9.3%. This was primarily driven by sector allocation due to being overweight the Health Care sector (which underperformed the broader market by 42%) and underweight the Materials sector (outperformed by 46%). Ethical exclusions were a 5.2% headwind for performance due to strong performance from both the Energy sector and BHP.

Holding no exposure to the Gold sector for the majority of the period was also a 1.0% headwind to relative performance.

Overall stock selection was negative over the last 12 months. While we held sound companies across different sectors, the disappointing performance of several Health Care and Industrial companies dragged on overall performance. Top contributors for the 12-month period included Macquarie, Sandfire Resources, QBE Insurance and NextDC. This was more than offset by detractors including Cochlear, Resmed, CSL and Brambles.

During the quarter Evolution Mining, and James Hardie were added to the portfolio holdings while exiting positions in Seek and Cochlear. We also added to positions in REA Group, CAR Group and Scentre Group and reduced holdings in Westpac, Computershare, Sigma Healthcare and Woolworths.

Engagement update

U Ethical communicates with portfolio companies for a number of reasons, including to gain greater insight on ESG-related issues, communicate our preferences for best practice management of ESG risks and opportunities, and seek commitments for enhanced performance on ESG matters. U Ethical believes that stewardship and engagement is part of our responsibility as ethical investors.

During the quarter, we held meetings or discussions with NEXTDC, Cleanaway, Lunas Rare Earths, QBE and MQG, among others.

We engaged with insurance companies in the Australian equities portfolio following the publication of a climate vulnerability assessment of the climate risk exposures to insurance companies with specific regard to impact on residential building insurance by the Australian Prudential Regulation Authority (APRA).

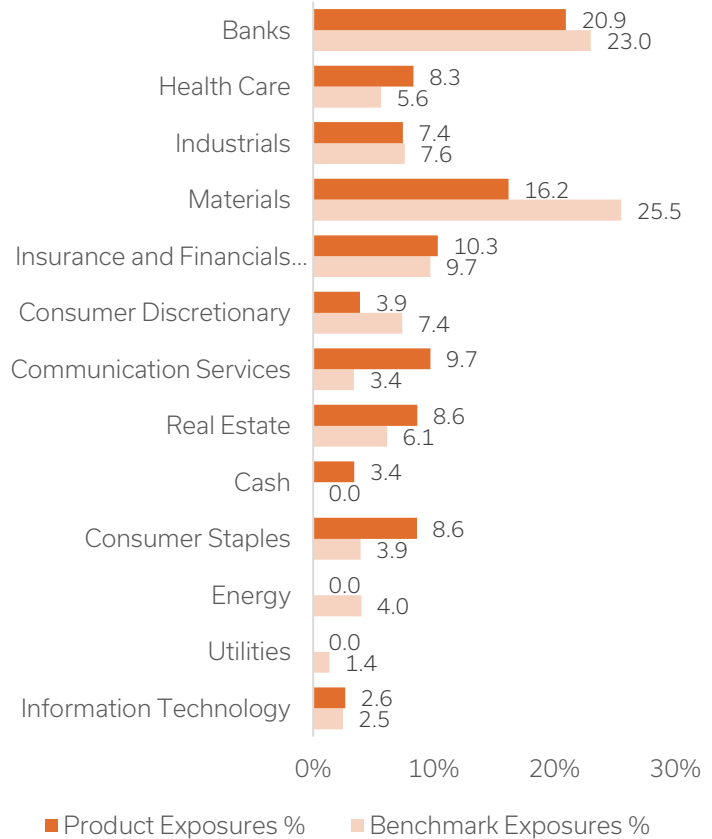
The APRA report concluded that around 25% of Australian households may be without home insurance protection by 2050. This represents not only a clear transition and physical risk to Australian households, as well as exacerbated financial inequality and potential wealth destruction of a significant number of people living in Australia, but also raises concern about amplification of prudential and financial risk for the Australian financial system. We spoke with companies in our portfolio on their actions to manage the risks to their underwriting business while maintaining affordability for Australian households.

Top 10 holdings

Holdings	%
COMMONWEALTH BANK OF AUSTRALIA	7.8
TELSTRA GROUP LIMITED	6.0
MACQUARIE GROUP LIMITED	5.5
GOODMAN GROUP	5.4
FORTESCUE LTD	5.1
ANZ GROUP HOLDINGS LIMITED	4.7
WOOLWORTHS GROUP LIMITED	4.6
NATIONAL AUSTRALIA BANK	4.6
SANDFIRE RESOURCES LTD	4.2
COLES GROUP LTD	4.0
Total	51.8

As at 30/06/2026

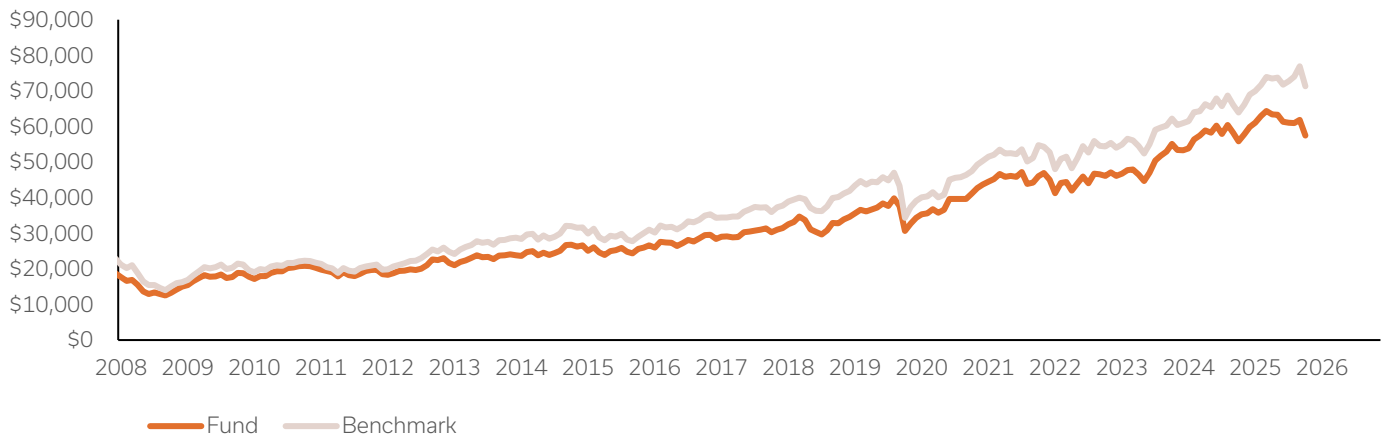
Sector exposure



As at 30/06/2026

Long-term performance

Growth of \$10,000 invested



As at 30/06/2026. Benchmark: S&P/ASX 300 Accumulation Index. Inception date: 07/07/2003. Performance based on exit price with distributions reinvested and is net of fees. From 1 October 2015, the Trust moved to a 100% Australian equities fund from previously having an 80% Australian equities and 20% cash allocation. Australian dollars. **Past performance is not indicative of future performance.**

Ethical view

Environmental, Social, and Governance (ESG) refers to the central factors in measuring and tracking the sustainable and societal impact of an investment. These factors include climate risk management and preparedness, human rights considerations, and modern slavery risk.

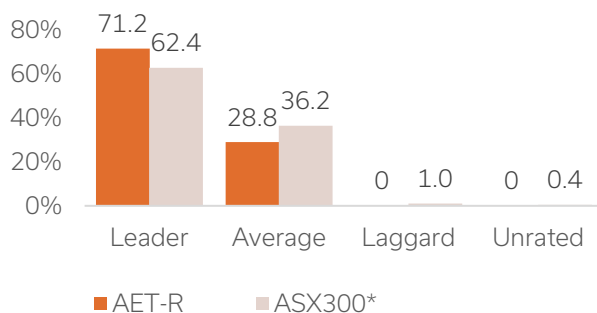
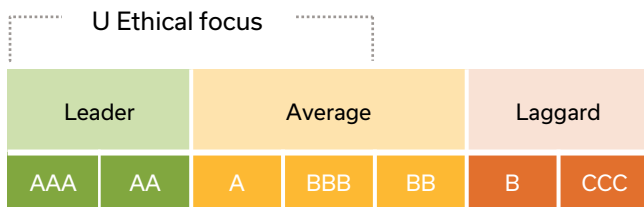
U Ethical pursues a values-based, risk-adjusted and, where possible for equities, SDG-aligned approach to investing. Our investment process seeks to ensure that our portfolio holdings are aligned with our clients' financial and ethical expectations.

U Ethical's investment process integrates ESG considerations with the aim of minimising investment risk and identifying investment opportunities. Informed by our ethical investment philosophy, we seek out companies producing goods or providing services that appropriately manage their impact on society and the environment according to industry best practice, industry standards and/or voluntary frameworks.

ESG ratings

ESG ratings are designed to measure a company's resilience to long-term industry material environmental, social and governance (ESG) risks.

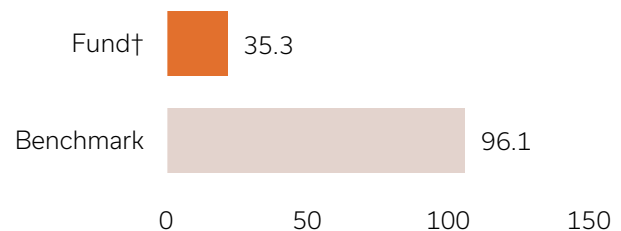
This helps identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.



As at 30/06/2026. *Constituent-level ratings may be affected due to MSCI ESG Rating model updates introduced in March 2026.

Carbon footprint

Absolute emissions Scope 1&2.
Tonnes CO2 equivalents per \$ million invested.



Source: MSCI ESG Research. As at 30/06/2026.

†Based on a combination of company-reported and MSCI-estimated carbon data. Certain information ©2026 MSCI Inc. All rights reserved.



Source: Morningstar. Carbon Metrics as of 30/11/2025. Based on 100% percent of eligible portfolio covered. Data is based on long positions only.

About U Ethical

Founded in 1985, U Ethical is one of Australia's first not-for-profit ethical fund managers. For over 40 years, our mission has remained the same: to invest with purpose. Today we manage over \$1.5 billion in funds under management, and our flagship Australian Equities strategy is a multi award-winner.

As a not-for-profit, we grant our operating surplus to the Uniting Church to indirectly fund community and outreach programs. It is a powerful formula we call 'compounding good' – the better we do, the more we give.

Ratings and affiliations



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